LEON COUNTY, FLORIDA

Stormwater Management Bonds, Series 2004

Plan of Finance

Objective
The County desires to issue bonds for acquisition of flooded property as part of the countywide stormwater management system.

Security
The bonds will be secured by the County's communications tax. $1 million of the revenues collected will be available for debt service on the County's proposed bond issue. However, in calculating the County's debt service coverage we assumed the full revenue source of $2.3 million.

Proposed Structure

For purposes of this analysis we used the following assumptions:

- Rates: All prices and yields used in this analysis were market conditions as of November 5, 2003
- Term: The bonds will have a final maturity of either October 1, 2014, 2019 or 2024
- Coverage Test: We assumed a 1.50x coverage level
- DSRF: For purposes of this analysis we assumed a Debt Service Reserve Fund Surety.
- Credit enhancement: We assumed a "AAA" insured bond issue. The Finance Committee will discuss ratings and the cost benefit.
- Construction Fund: For the purposes of this analysis, we gross funded the construction fund.

Scenario	Description	Maturity	Par Amount of Bonds	Project Funds	Total P&I Over Life of Bonds	Maximum Annual Debt Service
1	Fixed rate, 10-year bonds	2014	$9,015,000	$8,789,594	$10,766,955	$999,214
2	Fixed rate, 15-year bonds	2019	$11,765,000	$11,508,915	$15,755,907	$999,604
3	Fixed rate, 20-year bonds	2024	$13,675,000	$13,394,380	$20,748,802	$999,930

In Section 5 of this summary you will find debt service schedules and a comparison of the 10, 15 and 20-year bond issues.

Credit Enhancement
Credit ratings are used to describe the credit characteristics of a bond issue. Rating agencies include Moody's Investors Service, Fitch and Standard & Poor's. Ratings range from the best of "AAA" ("Aaa" is Moody's style, Fitch and S&P use "AAA") to "D", which stands for a defaulted bond.

For example, Moody's investment grade bond ratings from highest to lowest are:

- Aaa
- Aa1, Aa2, Aa3
- A1, A2, A3, and
- Baa1, Baa2 and Baa3

Most municipal bonds issued by local governments are rated "Baa1" or better.

An underlying rating is based on the credit characteristics of the bonds without taking into account the effect of the policy of municipal bond insurance. As part of our duties as financial advisor, we would ask all three rating agencies to evaluate the County's bonds.

The three "AAA" bond insurance companies would be asked to bid to provide insurance for the County's bonds. The closer the underlying rating is to "AAA", the higher the credit quality of the issuer and less value is placed upon the bond insurance. This concept is known as a "quality spread," with the term "quality" referring to the credit ratings, and "spread" referring to the price differential between the different credit ratings.

Debt Service Reserve Fund

In revenue bonds, such as the County's bonds, bond investors and rating services typically require that County fund a reserve fund for use in the event that revenues are insufficient to pay debt service. A cash funded reserve fund increases the amount of the bond issue (and the related costs of issuance and interest payments) by approximately 10%. As an alternative to a cash funded Debt Service Reserve Fund the County may wish to purchase a Debt Service Reserve Surety. The insurance companies will be asked to bid on this option at the same time we request bids for municipal bond insurance.

Competitive Sale or Negotiated Sale
The decision whether to use a negotiated or competitive sale is one that varies from issue to issue depending on a number factors related to the proposed financing, the issuer, and the bond market. The decision to pursue a competitive or negotiated sale depends on many criteria including; complexity of the transaction or security; anticipated size of the issue; pre-sale marketing opportunities; flexibility and control afforded by each sale method; and expected market conditions at the time of the sale.

In evaluating the decision, the security features of the proposed issue, resulting credit ratings, issue's acceptance by underwriters and investors, and any future capital needs should also be considered. In all instances, the determination should be made with a view toward securing the lowest borrowing cost as well as accomplishing specific financing requirements. There is no best method to market tax-exempt bonds under all circumstances, and both competitive and negotiated offerings provide benefits to issuers of municipal bonds.